



OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

Questions and Answers: ML 2010-18 Updated Property & Preservation (P&P) Requirements and Cost Procedures

The following questions were received via mcmnsc@hud.gov and the MBA P&P Working Group. They will be updated periodically.

Note: *The answers provided in these FAQs are directly related to the question asked. It may not be appropriate to apply certain answers to different questions. HUD cannot anticipate each potential scenario so there may be other interpretations or variations to each situation.*

Updates as of August 23rd:

- HUD has provided an e-mail address for MCB to send notification of property violations (questions #12 and #71)
- HUD has clarified that an overallowable request will not be automatically denied even when submitted within 5 days of the conveyance deadline (question #18)
- HUD reminds mortgagees that MCB may request supporting documentation to substantiate work claimed at any time (question #31)
- HUD has added information regarding HUD mailers and timing of inspections (question #34)
- HUD has provided additional clarification on occupancy inspections and payment as contact (question #38)
- HUD has clarified pre-conveyance inspections (question #39)
- HUD has provided direction on eviction legal fees (question #40)
- HUD has added direction regarding securing on exterior doors (question #42)
- HUD has updated direction on pool securing and maintenance (questions #54, 55 and 60)
- HUD has clarified direction on the transfer/disconnection of utilities at conveyance (question #76)
- HUD has clarified debris removal allowables (question #96)
- HUD has provided additional direction regarding hazard abatement (question #101)
- HUD has added information regarding the storage and disposal of personal property (questions #104 and #105)
- HUD has added information regarding post-claims auditing and FAQ integration (question #109)

60-Day Extension of ML 2008-31 Cost Exhibit:

- 1) Due to programming time constraints in transitioning P&P costs from ML 2008-31 to ML 2010-18, would HUD consider extending the implementation time?

Answer – HUD will allow for a 60 day extension for the continued use of ML 2008-31 cost schedules listed as Attachments 1 through 10 in the Mortgagee Letter. During this time, we expect the lender to migrate towards ML 2010-18 pricing and system coding.

- Work completed post 7/13 may be charged at the ML 2008-31 costs with appropriate documentation during the 60 day extension.
- As of 7/13, the property cap of \$2,500 will go into effect for all loans, including those in the pipeline.
- The lender is allowed an aggregate cost per property of \$2,500 whether the cost schedule of ML 2008-31 or ML 2010-18 is used; documentation to support the cost should be readily available at the request of the MCM.
- As of 7/13, “spent to date” is the aggregate of all work completed on the property, including all items considered “routine” per ML 2010-18 (inspections, pool securing, interior debris removal, etc.)
- During this 60 day extension timeframe, if aggregate cost is greater than \$2,500 and subsequent work can be completed for the allowable cost of either ML 2008-31 or ML 2010-18, no overallowable is needed.
- If the mortgagee has previously received an overallowable approval for a re-occurring expense or one-time major repair/event, there is no need to obtain another approval.

The lender will be required to indicate which cost schedule has been used on an overallowable request in the individual line item section “Mortgagee Remarks”. If no overallowable is needed, the cost schedule used must be notated in Part B Claim submission. **If this clarification is not documented the line item cost will be denied.**

Extension for Grass Cut Cost Schedule:

- 2) We have already negotiated the contractor pricing for grass cuts this season. Would HUD consider using the grass cut schedule from ML 2008-31?

Answer – HUD recognizes that this Mortgagee Letter was released in the middle of the grass cut season; therefore, HUD has made an exception to allow the use of ML 2008-31, Attachment 6 “Yard Maintenance and Snow Removal Requirements, Page 39 through the end of the 2010 grass cut season. It is anticipated that after this timeframe, HUD will begin utilizing a Cost Estimator product for the grass cut expense. In the event that HUD’s Cost Estimator is not ready for production, HUD will make the

determination to possibly extend the use of the ML 2008-31 grass cut cost schedule for an additional period of time.

ML EFFECTIVE DATE:

- 3) The opening statement of the Mortgagee Letter states the guidance is for “foreclosed” properties. Can you please clarify the guidance is for both pre-foreclosure sale properties found vacant and abandoned as well as properties that have already been foreclosed?

Answer - Any property subject to an FHA-insured mortgage must be maintained in accordance with the regulations of 24 CFR 203.377, when it comes to preserving and protecting the property. The guidelines provided in ML 2010-18 outline some guidance to the mortgagee as to how this is done but in no way is it all inclusive. It is inherently the responsibility of the mortgagee to take prudent actions to document property condition when discovered vacant or abandoned, to secure and to prevent further damage. It is not HUD’s intent to prescribe to the mortgagee how this is done.

- 4) How should the effective date of ML 2010-18 be applied to loans in the pipeline for conveyance?

Answer –

- a. Loans ready to convey, prior to 7/13/10 – conveyance condition should comply with ML 2008-31
- b. Loans ready to convey, post 7/13/10 – conveyance condition must comply with ML 2010-18

- 5) Please clarify HUD’s definition of conveyance condition per ML 2010-18.

Answer –

- a. Broom swept condition: Property that is free of dust, dirt, hazardous materials or conditions, personal belongings and interior and exterior debris.
- b. Interior repairs: Any necessary repairs should have been discovered and addressed before the final cleaning.
- c. Interior/Exterior debris removal: It is the mortgagee’s responsibility to obtain fiscally responsible pricing for both interior and exterior debris removal.
- d. Roof Tarp:

- i. Prior to ML 2010-18 effective date, if an active leak is discovered within 30 days of conveyance, the mortgagee may convey the property tarped with prior notification to the MCM of the tarping.
- ii. After July 13, 2010, the lender may utilize a temporary tarp to mitigate the damage prior to repairing the roof. HUD will not accept a property tarped once ML 2010-18 becomes effective. If an extension of time is needed to complete the roof repair prior to conveyance it must be requested in a timely manner.

ALLOWABLE COST LIMIT PER PROPERTY:

- 6) The ML states that the maximum property allowable has been increased to \$2,500 and excludes the cost of one time major repair items – e.g. roof replacement and demolition. Do we no longer need to submit overallowable requests?

Answer – The \$2,500 allowable P&P amount is for routine preservation and protection. Overallowable requests will be required when the aggregate costs of all preservation and protection (P&P) functions specified in 24 CFR 203.377 and in ML 2010-18 exceed \$2,500 and the work cannot be completed for the line item allowable cost. If the aggregate cost for routine P&P work exceeds \$2,500 and subsequent work can be completed for the line item allowable cost, the mortgagee is not required to submit an overallowable request.

- 7) What constitutes “routine” preservation and protection included in the \$2,500 property allowable?

Answer – Routine preservation includes, but is not limited to, property inspections, securing, debris and hazard removal, boarding, winterization and yard maintenance.

- 8) Please define “major repair”.

Answer – A “major repair” is a single extraordinary item or event that will cost more than \$1,500 to repair. The cost of this item or event will not be included in the \$2,500 per property allowable.

- 9) The ML states that if a property is conveyed damaged, the Department may re-convey; however, the letter does not outline the process. Can you please provide information on the guidelines and timeframes for the re-conveyance process?

Answer – Re-conveyance requirements are not addressed in this Mortgagee Letter since the re-conveyance process has not changed. HUD will work with MCB to

determine appropriate actions and timeframes for reconsiderations.

- 10) Under Mortgagee Responsibility, Mortgagee Neglect, item (a) states "...adequately verify the occupancy status of a home". Please define "adequately".

Answer – The Mortgagee should provide necessary inspection and investigation in order to verify and report accurate occupancy status of the property. See 4330.1 Rev 5, Section 9-9 for additional clarification on inspection requirements.

The Mortgagee is responsible to secure and maintain the property as required to protect the property from damage or deterioration until the property is conveyed.

- 11) Under Mortgagee Neglect, item (d), HUD has removed the securing timeframes and replaced the measurable timeframe with "promptly." Please define "promptly".

Answer – Promptly is defined as "as soon as reasonably practical". The property should be secured no more than 5 calendar days following the determination that the property is vacant and/or abandoned post-foreclosure or 15 business days following the determination that the property is vacant and/or abandoned pre-foreclosure.

Updated!

- 12) Under Mortgagee Neglect, item (e) it states the mortgagee must "Promptly notify the MCM of receipt of code violations, demolition notices and/or take appropriate action." Please define the expected notification period required by HUD. Additionally, please confirm that the timely submission of bids for approval will be considered notification.

Answer – Specific notification is required immediately upon receipt of notices by sending an e-mail to mcm-violations@mcbreo.com. A copy of the code violation should be uploaded into P260 attached to the corresponding FHA case. The submission of an overallowable request does not constitute notification.

- 13) Exhibit A, 1, states "...the maximum property preservation allowance is the maximum reimbursement for all P&P on an individual property. Maximum amounts for individual line items are set forth in Exhibit B." Does this mean we have to still submit an overallowable request if an individual line item exceeds the line item allowable in Exhibit B?

Answer – No. Each property has an allowable of \$2,500 for routine preservation work. If a routine item is greater than the individual line item in Exhibit B, the work may still be completed and claim submitted with the verifiable and auditable documentation substantiating the cost of work.

- 14) Language in the Mortgagee Letter references approving/denying/adjusting overallowable requests utilizing an industry standard cost estimator. Does this mean the second bid requirement has been eliminated?

Answer – Yes, ML 2010-18 does not require the submission of bids. It is the mortgagee’s responsibility to perform the work at the most reasonable and appropriate cost.

Overallowable requests will be required when the aggregate costs of all preservation and protection (P&P) functions, specified in 24 CFR 203.377 and in ML 2010-18, exceeds \$2,500. The submittal for the request shall identify and outline all work included in the total cost to preserve the property, and the proposed cost for each item. The Overallowable request will be reviewed for each item and acceptance, partial acceptance, or denial will be given for each cost item, and the total approved cost for all endorsed work will be indicated on the overallowable request form and additionally in the notes section of P260.

- 15) Has HUD determined which industry standard cost estimator tool will be utilized by the MCM? Is the cost estimator available to mortgagees and field service vendors?

Answer - Vendors may continue to utilize any method of cost estimating that produces an accurate and independently verifiable cost proposal. This estimate will be reviewed and verified by the MCM utilizing a cost estimator that is commonly used by the preservation industry. The current Pilot Cost Estimator Contract has been awarded to Marshall & Swift (MSB) and for more information regarding their services please contact Dick Brooks at 262-798-3662. MSB’s help line regarding assistance with cost estimates is 888-337-9667.

- 16) Please confirm that room dimensions are only required if specific costs are claimed that are applicable to the room size, such as carpet removal?

Answer – All information necessary to support a request for an overallowable should be submitted with enough detail, including photos, for the MCM to make a reasonable determination and decision.

- 17) Please confirm that material receipts are required for dump fee and extermination receipts only.

Answer – Receipts and/or other appropriate documentation are required to justify and verify any item where reimbursement is requested.

Updated!

18) The letter advises that requests must be submitted at least 5 business days prior to the conveyance due date or they will be rejected. Will an overallowable request be automatically denied if not submitted prior to the 5 day deadline? Also, please confirm work completed can still be claimed.

Answer – If the conveyance deadline has not passed, the lender should submit an extension of time request with justification to substantiate the timing of the overallowable request. An overallowable request is not automatically denied regardless of whether an extension of time to convey has been submitted and/or is pending review. Work completed may still be claimed.

19) Please confirm 'due date' listed in Exhibit A, section 1, page 6 is the conveyance deadline, including any extensions that were previously granted.

Answer – Yes, the “due date” is the conveyance deadline date.

20) What is the timeframe for the MCM to respond to overallowable requests?

Answer – The MCM has 5 business days to respond.

21) If a timely response is not received, does the mortgagee receive an automatic extension?

Answer – No, extensions will be determined on a case-by-case basis. Any delays caused by HUD or its agents will receive appropriate consideration.

22) In instances where a property sustains new damage (within the 5 day over-allowable review timeframe) and the max cap has been reached, should mortgagees file an extension and over-allowable request explaining the new damages?

Answer – If the mortgagee has determined it is prudent to do so. Refer to question #20 for additional information.

23) If mold is present at FTV and if the root cause is addressed promptly by the mortgagee, please confirm no further action required to prevent growth prior to conveyance. How would HUD wish the existing mold be remediated? Should mitigation of the mold be bid or just documented as mortgagor neglect with no preservation action required?

Answer - The source of the mold is to be repaired or remediated as required to prevent further water infiltration or damage to the property.

24) In extenuating cases of mold, should the recommended actions be bid as a major repair item?

Answer - Any repair or remediation required to prevent further damage that results in costs exceeding a one time major repair item of \$1,500 or an aggregate amount of \$2,500 shall be submitted as an overallowable.

25) The letter states, "As a matter of Administrative Practice, HUD generally will not deny conveyance of properties if the Government's estimate of the cost to repair the damage attributable to the mortgagee is equal to or less than \$2,500. The claim is generally reduced by that amount." Is the \$2,500 review going to be performed prior to or after the Part B-E claim is filed?

Answer - The review will be performed at the time of conveyance after filing the Part A claim.

26) Can the mortgagee reduce the claim by damage amount and convey?

Answer – The MCM, upon recommendation by the FSM, will make a determination and notify the Mortgagee accordingly upon request for a surchargable damage inspection.

27) The new letter indicates "If at any time local codes require more extensive protection than stated in this guidance, mortgagees shall contact the MCM." To whom should this information be provided and what specific documentation is required?

Answer – If local ordinances require more extensive preservation and protection than stated in the guidance, the lender should abide by the local ordinance and provide sufficient documentation to justify the expense. If the work required is considered a one-time major event/repair or the aggregate cost exceeds the \$2,500 property cap, the documentation to support the more extensive work should be attached to the overallowable request.

28) In the past, HUD has found it acceptable that the photo be labeled under or over the physical photo rather than obscuring any of the pictures. The language in the

mortgagee letter states “All photographs shall be dated and labeled.” Is the expectation the same that the information can be under/over the photo rather than imprinted on it?

Answer – All submitted photographs should provide enough information to support the claim and shall be dated, identified, and labeled in order to clarify the claim.

29) Will the one-time \$30 photo fee still be allowed?

Answer – HUD will continue to allow this photo fee to be claimed.

30) Is HUD eliminating the need to perform twice per week hot zone inspections?

Answer - Hot zones are established by local jurisdiction. Absent HUD guidelines, the mortgagee must follow local code. HUD will no longer provide prescriptive guidelines to mortgagees.

Updated!

31) The letter states “Inspection reports and photographs shall be submitted in P260 in support of the 27011 parts B-D claim request.” Document packages, including inspection reports and photographs, oftentimes exceed 100 pages. Please confirm HUD is requesting that the entire claim package be submitted to P260 at this time.

Answer - Documentation, including photos, to support routine preservation work, as detailed in FAQ #7, will not be required during the Part B Claim submission. P&P work that includes previously reviewed and approved overallowables will require photos to document that the P&P work has been completed. As a reminder, mortgagees may upload photos at any time into P260 to document any P&P work to substantiate their claim.

HUD expects a quality control review and editing of large photo files and/or supporting documentation to ensure only the necessary and applicable information is uploaded into P260.

MCB may request supporting documentation to substantiate the claimed amount at any time.

32) Are we required to go back and upload photos documenting completed previously approved P&P overallowables?

Answer – Photos documenting that P&P work was completed will be required on all overallowables submitted and approved on or after July 13, 2010.

33) What are the documentation requirements for the Part A Claim?

Answer – If a property is being conveyed damaged, the mortgagee must update comments that the property is damaged and provide the initial vacant inspection report. Otherwise, the Part A Claim submission has not changed.

New!

34) HUD mailers were referenced in the 2008-31 regulations stating we should send out a mailer and wait 5 business days prior to inspecting. There is no mention of HUD mailers and the 5-day wait period, was HUD's intent that we still follow this directive?

Answer – To avoid unnecessary inspections occupants should be allowed a minimum five (5) business days from the date of the mailing or other contact attempt to respond to the mortgagee.

35) Initial vacant property inspections are performed on the date the mortgagee takes physical possession of a vacant or abandoned property. The initial inspection is when the mortgagee ascertains the condition of the property and may be of critical importance in distinguishing between mortgagor neglect following conveyance. Please distinguish between vacant and abandoned properties.

Answer - Local jurisdictions define this requirement.

36) If a property is vacant and the loan is in bankruptcy, in active loss mitigation, etc., please confirm mortgagees will not be held liable for mortgagee neglect.

Answer - Mortgagees will be held responsible for any damage to a property that is vacant or abandoned and the mortgagee failed to:

- a. Adequately verify the occupancy status of a property;
- b. Initiate foreclosure within the required timeframe;
- c. Obtain timely and accurate property inspections;
- d. Promptly secure and continue to protect all vacant properties; or
- e. Promptly notify the MCM of receipt of code violations, demolition notices and/or take appropriate action.

37) The letter states, “Vacant property inspections are performed after the initial inspection and physical possession by the mortgagee have occurred.” Please confirm that inspections on occupied properties and vacant/unsecured properties can be claimed. Should these inspections be labeled as subsequent inspections rather than vacant property inspections? Please confirm that occupied inspections will be reimbursed.

Answer – Pursuant to 4330.1 Rev 5, Section 9-9, a (1.), during the course of any continuing delinquency reimbursement will be made for only one “initial inspection”.

When the conditions continue necessitating the occupancy inspections to continue; within the previous 30 days there have been no payments, no contact with the defaulting mortgagor and increased probability of potential abandonment, the mortgagee should consider having a visual inspection performed within thirty days from the date of the last visual inspection.

HUD will reimburse mortgagees for occupancy inspections which were performed in accordance with the requirements of the Administration of Insured Home Mortgages Handbook (4330.1) and are adequately documented including the valid follow-up attempt to confirm occupancy. The acceptance of a payment when a loan is in default does not constitute contact with the mortgagor.

New!

38) Since ML 2010-18 has superseded ML 2008-31, the clear directive regarding occupancy inspections has been removed. Can you please clarify HUD's intent regarding the circumstances in which an occupancy inspection is required where there is no contact with the borrower but a payment on a delinquent loan is made? Is it HUD's intent that the clear directive in ML 2008-31 still apply?

Answer – Yes, the example in ML 2008-31 regarding occupancy inspections has not changed and it still follows HUD Handbook 4330.1 Rev. 5, Section 9-9b(1)(2). The acceptance of a payment when a loan is in default does not constitute contact with the mortgagor.

Updated!

39) There is no allowance for Voluntary Pre-Conveyance Inspections. In the case of extensive, non-surchargable damages should the servicer convey and document the Part A accordingly?

Answer – HUD will allow Mortgagees to claim the cost of one additional inspection at the rate of a Vacant Property Inspection, provided the Pre-Conveyance Inspection does not coincide with the regular inspection schedule.

Updated!

40) Pre-eviction inspections are no longer defined and no longer reimbursable. Please confirm that eviction legal fees will not be denied reimbursement should the property be found vacant at the time of lockout.

Answer – Legal fees up to the point of eviction may be claimed if the property is found vacant at the time of eviction.

- 41) Previously, HUD required both interior and exterior inspections on properties once the initial securing had occurred. Is this still required?

Answer – HUD guidelines provide for an occupancy inspection, initial inspection and on-going vacant property inspections. The property must be secured, winterized, and the lawn maintained. The interior and exterior should be preserved and protected in order to prevent Mortgagee damage. In order to confirm property maintenance and security, the mortgagee should conduct inspection and surveillance of the property as necessary to prevent damage.

Updated!

- 42) Exhibit A, Section B states, “All exterior doors shall be secured.” Please confirm that only one lock should be changed for pre-sale properties.

Answer – Correct, it is appropriate that only one lock be changed on a pre-sale property; however, all other exterior doors should be re-keyed to correspond with the new lockset.

- 43) Is HUD eliminating the pre-approved boarding areas and preferring to always re-glaze except in the case of severe damage or high vandalism?

Answer – If local law or ordinance requires boarding, the property must be boarded.

- 44) How should the servicer document that an area is in a high vandal area, thus requiring boarding?

Answer – When there is a property in an area requiring more frequent inspections or boarding due to high vandalism or local ordinances, police reports and/or a letter from a local law enforcement agency requesting additional protective measures may be submitted to support boarding or any additional inspection(s).

- 45) The new letter states, “Broken glass shall be removed from interior and exterior areas and replaced, unless the opening is to be boarded.” Please confirm that the mortgagee should still remove broken glass even when boarding due to the health/safety issue.

Answer – Yes, all broken glass should be removed.

- 46) Many servicers wish to have consistent key codes across their portfolio. Is this acceptable?

Answer – No. Follow the guidelines in ML 2010-18, Section B, Securing.

- 47) How should the servicer address antique locks? These previously were not removed or damaged; instead the door would be secured with a pad and hasp. Does HUD want servicers to continue this practice?

Answer – Yes, where the servicer is unable to re-key without removal or damage in special circumstances such as the presence of an antique lock, the mortgagee may utilize whatever method is available to secure the property and prevent damage.

- 48) If there are no locks present on windows in a property, how should the lender secure?

Answer – As directed in ML 2010-18, doors and windows must not be nailed or braced. Replace missing or inoperable locking mechanisms on windows or doors.

- 49) If a garage door is damaged and cannot be opened and closed, should the servicer repair or replace the door?

Answer – Garage doors should allow for opening and closing. It is the mortgagee's discretion as to how this should be accomplished.

- 50) If repair or replacement of the garage door is required, is this considered a major expense or part of the maximum cap?

Answer - Include this expense with all P&P costs. Any repair that results in costs exceeding \$1,500 as a major repair/event or \$2,500 in aggregate, excluding the major repair/event shall be submitted as an overallowable.

- 51) If a roof cannot be patched or repaired for the allowable, should this be submitted to HUD for approval?

Answer – Any repair, temporary or permanent, required to prevent further damage that results in costs exceeding \$1,500 as a major repair/event or \$2,500 in aggregate, excluding the major repair/event shall be submitted as an overallowable.

- 52) Patching a roof did not apply to the max cap previously. Will it be included moving forward?

Answer – All costs necessary to render the roof watertight and prevent further damage, including temporary patching, shall be included in the P&P costs.

53) The letter states that HUD does not tarp. However, in some instances it is needed to protect the property until the roof is repaired or replaced, especially when there may be insurance claim proceeds available. Will the cost of a tarp be reimbursed in this type of situation?

Answer – Yes, with the appropriate documentation to support the claim, this cost may be reimbursable. Any repair, temporary or permanent, required to prevent further damage that results in costs exceeding \$2,500 shall be submitted as an overallowable.

Updated!

54) The boarding requirement for pools has been eliminated. Please confirm that servicers may secure the pool in any fashion they see fit.

Answer – If local code is present, pools should be secured per those guidelines. If the area is absent of local guidelines, the pool should still be secured in a manner that will prevent access.

Updated!

55) If a pool is found unsecure and could pose an immediate danger if not secured, will the cost to secure be reimbursed?

Answer - To mitigate potential risk, HUD considers pool securing an immediate issue to be addressed. The allowable cost for this maintenance is listed in Exhibit B of ML 10-18. If the work cannot be completed for the allowable or could be considered a one time major repair/event, the mortgagee should do the work and bid after the fact if necessary.

56) The pool cover will need to be removed for recurring maintenance. This may escalate the cost above the \$100 recurring maintenance allowable. Should an overallowable be submitted?

Answer – Any routine maintenance or repair, temporary or permanent, required to prevent further damage that results in costs exceeding \$2,500 shall be submitted as an overallowable. Additionally, any one-time major event/repair greater than \$1,500 should be submitted as an overallowable request.

57) Please define both "operational" and "maintaining" of the pool. Is HUD expecting the utilities be maintained?

Answer – Utilities must remain on in accordance with local code or state law when required to maintain pool as described in ML 2010-18.

58) If the pool is found empty, does it need to be filled so that it becomes operational?

Answer – Pools are to be secured and maintained according to local code or state law. If local jurisdiction regulates the maintenance of pools, please follow local code.

59) If the pool filtration and other systems are broken, should the mortgagee submit a repair bid as a “major repair” to HUD for review?

Answer – If local jurisdiction/code regulates the maintenance of pools, please follow local code and repair as required.

New!

60) New regulations state to keep pool filter system operating, if we are in the winterization time period, and we need to winterize the pool for the season, does HUD expect the servicer to turn the pool filtration system on once we are in the spring and summer months?

Answer: Pools must be maintained in operational condition according to local code and climatic conditions.

61) No longer are the specifications to secure with carriage bolts defined. Is this still the desired method?

Answer – The mortgagee shall board as required in ML 2010-18.

62) The specifications provided in the new letter indicate that openings should be secured with “plywood or equivalent.” Is HUD recognizing particle board (OSB) as an acceptable alternative to plywood?

Answer – No, HUD does not consider this an equivalent alternative.

63) The directive in Exhibit A, Section E states "all openings shall be boarded" is in conflict of earlier passage under securing which indicates the mortgagee is responsible for replacing a broken window-pane (re-glazing), unless the opening is to be boarded. Please confirm intent and which action is desired.

Answer – Re-glazing is the preferred method of securing a broken window or glass opening, unless required to be boarded by local code or ordinance.

64) The letter indicates “If security bars are located on window/doors, boarding is not required.” Please confirm that if there is broken glass, the opening should still be addressed by re-glazing.

Answer – If other security methods are in place, the window should be re-glazed to prevent environmental damage.

65) The letter states “small openings, such as pet openings in doors should be secured and not boarded.” If there is not an existing lock present, how would HUD want this action to be performed?

Answer – The mortgagee should provide security, as required, to prevent unauthorized entry.

- 66) In Exhibit A, Section B, it states that if local codes differ from HUD requirements for boarding, the mortgagee should contact the MCM for direction. Is the MCM to be contacted prior to work being completed on a property or after the work is completed?

Answer: Contact with the MCM is not required unless the repair needed to prevent further damage results in costs for a one time major event of \$1,500, or in aggregate exceeds \$2,500. The mortgagee should provide documentation to support P&P work completed as per local code requirements.

- 67) Awaiting response from the MCM could delay the protection of the property leading to further vandalism or damage. Please advise how this potential delay should be handled.

Answer – The mortgagee should repair or secure as necessary to protect the property and prevent damage. The mortgagee should provide appropriate documentation to support the expenditure.

- 68) Please confirm the previously existing pre-approved boarding areas (i.e. certain zip codes within Chicago, IL) no longer exist.

Answer – The mortgagee is responsible for adhering to local code and ordinance requirements regarding boarding, other property maintenance and security regulations.

- 69) If local code does not dictate boarding requirements yet it is known the property is located in a high vandalism area, should the property be boarded? If so, what type of documentation should be provided to support the decision to board?

Answer – If the property is located in a high risk vandalism area and/or previously re-glazed windows have been broken, it would be in the best interest to board the property unless local ordinances do not allow for boarding. Documentation to support this action could include crime statistics for the area or proof that windows had been previously re-glazed and subsequently broken.

- 70) Exhibit A, Section F, indicates in certain states “an initial grass cut may be completed when needed during any month of the year.” If the grass needs maintaining outside of the 4/1 to 10/31 timeframe, should it be submitted in P260 for approval?

Answer – When it is determined a grass cut is needed outside of the grass mowing

season timeframe the mortgagee should mow the grass in accordance with ML 2010-18. The mortgagee should remember that maintenance on the property is required to avoid code violations from local municipalities, including grass cuts. Submission to P260 is not required unless the amount is a one time major event of \$1,500 or more, or in aggregate, exceeds \$2,500. However, if the aggregate cost has met the \$2,500 property cap but the grass cut can be completed within the line item allowable, an overallowable request is not required.

Updated!

71) If a property is assessed a municipal violation or is part of a litigated case and it is outside of grass cut season, should a bid be submitted to the MCM for approval prior to having the grass cut?

Answer – The MCM must be notified promptly in cases of code violations by sending an e-mail to mcm-violations@mcbreo.com. The property should be maintained in accordance with 2010-18. Submission to P260 is not required unless the amount is a one time major event of \$1,500 or more, or in aggregate, exceeds \$2,500. However, if the aggregate cost has met \$2,500 property cap but the grass cut can be completed within the line item allowable, an overallowable request is not required.

72) Exhibit A, Section G states “properties are to be winterized between October 1 and March 31, unless, climatic conditions require earlier and extended winterization treatment periods.” Please advise how climatic conditions will be defined.

Answer – Mortgagees must be prudent in the preservation and protection of the property. If climatic conditions require early or late winterization then the property should be winterized in accordance with ML 2010-18. Documentation to support this action could include weather reports or similar evidence to justify local climatic conditions.

73) Under the same section, sub-part Utilities, it states, “Utilities accounts...should be in the mortgagee’s name until conveyance of the property to HUD...if there is any reason to believe that a mortgagor may abandon a property, the mortgagee shall contact the utility company...so that utilities can be transferred to the mortgagee’s name and the heat remain on if the mortgagor vacates.” Will the mortgagee be reimbursed for the cost of utilities if it was determined the mortgagor did not abandon the property?

Answer – The MCM will review the supporting documentation provided by the mortgagee to determine if the cost will be reimbursed.

74) In this sub-part, it does not outline which utilities are to remain on. If local ordinance does not mandate, should the servicer not maintain or connect utilities provided there is not a sump pump present?

Answer – If there is not a valid reason, including but not limited to, winterization, the presence of a sump pump, pool maintenance or local ordinances, the mortgagee is not required to connect the utilities.

75) In certain areas, utility companies do not allow the transfer of utilities into the mortgagee's name. If there is a valid reason to connect utilities as stated in question #66, how should the mortgagee address this issue?

Answer – The mortgagee should fully document the refusal of the utilities provider to transfer the utilities into the mortgagee's name. The requirement for P&P work to continue will not cease and the work must be performed to the best of the mortgagee's ability.

Updated!

76) Upon conveyance of the property, what should the mortgagee do with the utility account?

Answer – If utilities cannot be transferred from the mortgagee to the M&M, the mortgagee should disconnect the utilities.

77) Please confirm anti-freeze is still required to be added to traps and pipes.

Answer – The mortgagee shall determine the materials to be used for winterization requirements and to prevent further damage to the property.

78) If HUD approves an over-allowable for a demolition, does that automatically approve conveyance of a vacant lot or should permission still be sought as a "convey as is" package in P260?

Answer – At the time of submission request for demolition also note that the request is to convey the property "as is". If the MCM grants approval for demolition, it will also be noted that the conveyance of a vacant lot is approved as well.

79) The letter states approval must be obtained for demolition, but Exhibit B lists an allowable cost for demolition. If the property can be demolished for the provided allowable, does approval still need to be obtained?

Answer – Yes, the MCM should be notified prior to the demolition of the property.

80) In Section 8, Requests to Exceed Timeframes, it states, "Upon receipt, the MCM will have 5 business days to approve the request, reject as lacking adequate documentation or deny the request." What is acceptable documentation to support the request?

Answer – Any documentation provided should clearly define, identify, and support each request.

81) What are acceptable reasons to deny the extension of time request?

Answer – Refer to HUD handbook 4330.4, Chapter 1-6 (D) for basis for extension request.

82) In the event that a conveyance timeframe shifts due to a county recording date, please confirm that a request for extension of time can still be submitted for consideration provided the servicer performed diligence in follow up with the local recording agency?

Answer – The conveyance timeframe does not shift since it does not begin until the latter of the date of the Foreclosure Deed being recorded or the date of possession. Extensions of time required to place the property in conveyance condition must be submitted within 30 days of this date.

Example – Foreclosure Deed recorded 5/1/10
Eviction completed and possession is obtained 6/1/10
Conveyance timeframe begins 6/1/10 and an extension must be requested prior to 7/1/10

HUD Handbook 4330.1 provides: Convey the Property to the Secretary within 30 calendar days after acquiring possession of and good marketable title to the property (24 CFR 203.359). For mortgages insured under a firm commitment issued on or after November 19, 1992, or under Direct Endorsement processing when the credit worksheet was signed by the mortgagee's approved underwriter on or after November 19, 1992, within 30 days of the latter of:

- a. Filing for record the foreclosure deed; (Filing for record has been established as the date the deed was mailed or carried to the recording authority)
- b. Recording date of a deed-in-lieu of foreclosure;
- c. Acquiring possession of the property;
- d. Expiration of the redemption period; or
- e. Such further time as HUD may approve in writing.

83) The letter states, "If a mortgagee believes that a demand decision is not supported by regulation or circumstances, the mortgagee may request a review of the indebtedness determination...by submitting a request to the MCM through HUD's P260 portal within 20 days of receipt of the Secretary's notification." Will mortgagees be notified of the decision via email, P260, or by another method?

Answer – The mortgagee will be notified via P260 and email.

84) Will non-compliance letters no longer be issued?

Answer – Non-compliance letters will continue to be issued via P260 and email.

COST SCHEDULE:

85) Are inspections considered part of the max cap on the property?

Answer – Yes, vacant property inspections or appropriate and claimable occupied inspections (see question #31) are included in the \$2,500 maximum property allowable.

86) Previously, traditional recurring inspections were reimbursed at \$30/\$20. Will HUD accept multiple \$30 charges in the event a property goes from occupied to vacant more than once during the life of the loan?

Answer – Yes, with the appropriate documentation to support the charge this would be acceptable.

87) If more than one permit is required, please confirm the allowable is \$250 per permit?

Answer – Yes, with the appropriate documentation to support the expense.

88) Is this permit cost part of the maximum property allowable?

Answer – Yes, this is included in routine preservation and protection.

89) If the vacant property registration exceeds \$250, should HUD approve as a major repair?

Answer – Any costs required to preserve and protect the property that results in costs exceeding \$2,500 shall be submitted as an overallowable. Additionally, any one time major event/repair exceeding \$1,500 should be submitted as an overallowable request.

90) Does boarding and re-glazing count toward the maximum property cap?

Answer – Yes, this is considered routine preservation and protection. Any costs required to preserve and protect the property that results in costs exceeding \$2,500 shall be submitted as an overallowable.

91) For the most part, the cost to re-glaze a window exceeds \$30, especially for some window sizes. Would HUD consider adjusting this allowable to a higher dollar amount?

Answer – HUD is not adjusting this cost at this time. All costs must be supported with appropriate documentation justifying the amount paid and any costs required to preserve and protect the property that results in aggregate costs exceeding \$2,500 shall be submitted as an overallowable. Additionally, any one time major event/repair exceeding \$1,500 should be submitted as an overallowable request.

92) Will the mortgagee be required to re-secure at their cost if vandalism causes the need for a re-securing?

Answer – If the mortgagee initially secured the property appropriately and a re-secure is needed due to vandalism, the cost to re-secure will be reimbursable at the price of the initial secure. The mortgagee must provide documentation to support the claim for re-securing.

93) Does pool boarding count towards the maximum property allowable?

Answer – All preservation and protection services are now included in the \$2,500 property allowable.

94) Should the removal of an above ground pool be submitted as an over-allowable as a major repair?

Answer – Any costs required to preserve and protect the property, as required in ML 2010-18, that results in costs exceeding \$2,500 shall be submitted as an overallowable. Additionally, any one time major event/repair exceeding \$1,500 should be submitted as an overallowable request.

95) Are tires considered debris removal?

Answer – Yes, tires should be included in the debris removal total costs.

Updated!

96) The Debris/Trash Removal line item reads “Maximum allowable for 1 unit \$600 (Minimum load of 12 cu. yds of waste). Would HUD consider adjusting this allowable to a larger cubic yard amount due to the new requirement to remove interior debris?

Answer – The intent of the debris removal allowable is simply to advise that the cost should be no more than \$50/cubic yard. If the mortgagee discovers a situation where excessive debris must be removed and it would constitute a major one-time

event/repair an overallowable should be submitted for review. There is no maximum number of cubic yards per unit.

97) Does debris removal count towards the maximum property allowable?

Answer – Yes, debris removal is considered routine preservation and protection. In the event that debris removal could be considered a one time major repair/event exceeding \$1,500 an overallowable request may be submitted. Otherwise, any costs required to preserve and protect the property, as required in ML 2010-18, which results in aggregate costs exceeding \$2500 shall be submitted as an overallowable.

98) The letter does not indicate how to address personal property such as swing sets or dog houses in good condition. Should these remain at the property or be removed as exterior debris?

Answer – If personal property similar to that described above, is in good condition and may add to the value of the property, it may remain in place.

99) There is no longer an allowable addressing Large Appliance Removal (as related to decaying and rotting food) and Pest Infestation. Is the mortgagee to assume no action is required?

Answer – The mortgagee must be prudent and diligent in its actions and properties must be conveyed undamaged and free of any health and safety hazards. If appliances found inside are inoperable, notation must be made on the initial inspection report and submitted to the MCM. Large appliances found outside should be discarded as debris.

100) In Yard Maintenance, please define what HUD means as “per site.”

Answer – “Per site” is interchangeable with “per property”.

Updated!

101) Under Hazard Abatement, there is no allowable provided for paint or oil. These cannot be removed as debris in many locations. Should we submit an overallowable request for these items? Are these costs reimbursable and what documentation should be provided?

Answer - Local and state regulations frequently delineate what is hazardous and must be disposed of by special handling. Provide the special requirements per state or local code for special handling and the receipt(s). Any costs required to preserve and protect the property, as required in ML 2010-18, which results in aggregate costs exceeding \$2,500 shall be submitted as an overallowable. Additionally, any one time major event/repair exceeding \$1,500 should be submitted as an overallowable request.

Miscellaneous Questions:

102) Please provide clarification that eviction man hours and/or sheriff directed services are not to be included in the max cap for a property.

Answer – The eviction process has not changed. Man hours are not included in the \$2,500 property cap.

103) The reimbursement rate for evictions is not defined. Please confirm the allowable rate will remain at \$20 per man hour?

Answer – Yes, that rate will remain \$20/man hour.

New!

104) Now that ML 2010-18 requires mortgagees to have all properties in broom swept condition, will HUD recognize the receipt from the storage unit as a dump receipt even if the property is located in a state that does not require storage?

Answer – No, the storage receipt does not provide proof of appropriate disposal.

New!

105) If the state law requires that the servicer store the personals will HUD reimburse for transporting the items to the storage facility, the rental fee of the facility, and the removal from the facility to a dump?

Answer – If these charges are associated with the costs to store personals, as required by local/state law, they should be listed on the bid/invoice and will be paid accordingly.

106) Will HUD reimburse the mortgagee for the storage of personals if it's not a jurisdictional requirement?

Answer – HUD will only reimburse a mortgagee for the storage of personals when it is mandated by state or local government.

107) Some states require the mortgagee to post for personals prior to their removal. Since personals are now considered interior debris and must be removed, yet the posting may extend the conveyance past the allowable timeframe, should the mortgagee request an extension of time?

Answer – If the mortgagee is aware that the posting for personals will extend beyond the conveyance deadline, a request for an extension of time may be submitted.

Appropriate documentation to support this request should be included with the time extension request.

- 108) We frequently find piles of bricks, concrete, or cinderblocks at houses. Will HUD approve removal of non-hazardous debris that is not measured in cubic yards? Specifically, concrete weighs 2 tons per cubic yard (which is about \$160 for disposal alone, not counting handling and transportation) - can heavy/bulky debris be bid separately from regular trash?

Answer - Exhibit B allows a fee per cubic yard of debris or trash. If the dump where the debris is being disposed of charges more by weight then this must be documented on the dump receipt and the receipt must indicate the name of the dump to verify the debris has been disposed of legally.

New!

- 109) There are still concerns that clarification provided in the FAQs specifically relating to Preservation and Protection issues will be ignored or not recognized on a HUD post claim review. Some members have indicated that the FAQ's are being recognized on the HUD post claim reviews, while others are indicating they are not.

Answer – The NSC has confirmed with the Claims Audit Team that FAQs will be recognized as policy interpretation for ML 10-18.

HECM Questions:

- 1) Are Occupancy Inspections which are required after the HECM loan is called due and payable claimable?

Answer – No. If a servicer is unable to secure the property after the loan has been called due and payable due to tenants or adverse occupants, the required monthly occupancy inspections through acquisition of title are considered a normal cost of business and not claimable.

- 2) Does broom-swept condition mean that the property is free from dust?

Answer – Broom swept condition is free of dust, dirt, hazardous materials or conditions, personal belongings and interior and exterior debris. It is understandable that a vacant property may collect a usual amount of dust between inspections.